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branch office operates in a radius of about 60 kilometers, while in less densely populated Laender (e.g., Mecklenburg), the radius is up to 150 kilometers. After the trade center was organized, some of the formerly coordinated wholesale houses took over the role of commission agents. This applies mostly to Sachsen, where about 30 percent of all goods move through commission agents. In the Laender-Mecklenburg and Brandenburg, the commission agents have lost all importance, and private wholesale trade has become insignificant or has been eliminated altogether. The commission agents deliver one percent of their turnover to the central office in Chemnitz. For this fee they can obtain their allocated quota from the central office on certain purchase days. The private wholesale trade (commission agent) is supposed to take goods only from private production, but this could not always be observed completely in practice. The commission agent sells in a definitely specified region to private retail trade, while the local branch office operates in the same region.

The trade center is an institution of public law. The branch offices are people-owned enterprises; the central office in Chemnitz is a federation of people-owned enterprises. The central office administers the allocations to the HO (Trade Organization), the cooperatives, and the public sales agents. The large allocation of goods for public use is sold wholesale by the Federation of Cooperatives of the particular Land to the Kreis cooperatives. Their branches sell on a retail basis. The branch offices and their private commission agents move at least 50 percent of the goods allocated for public use.

At the wholesale level, the margins are as follows:

	Percent
For hosiery, knitwear, and all yard goods, carpets, and curtains	15
For all clothing	10
For work clothing and materials for work clothing	8

At the retail level, a uniform margin of 20 percent applies to all goods. In the people-owned sector, terms of 15 days net apply. Private producers and private wholesale houses have to grant the old textile trade terms of 10 days, 3 percent; 30 days, 2 percent and 60 days net.

The central office contracts with people-owned and private enterprises for its branches, and for the coordinated commission agents, while the HO and the cooperatives make their own contracts at present. Starting April 1951, this setup will be changed.

Part of the available yard goods will be issued to clothing manufacturers. The people-owned enterprises in the clothing field will be given first consideration, but since the private firms have a much greater capacity, large contracts are to be signed with them. The conditions for both private and people-owned enterprises are the same. After the model has been chosen, sample garments are to be sent to the central office. The branch offices and the private commission agents can then buy their allocations from this sample collection. The private commission agents can make their purchases only after the branch offices have made their choice.

Economic Policy and Aims

When the branch offices began operating, all private retailers who had previously been supplied by the Offices of Trade and Supply became their customers. The administration allocated goods to as many retailers as possible, so as not to increase the difficulties. The bureaucratic allocation plans,

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however, meant that many retailers received goods in such small quantities that they never had a good assortment. The branch offices have succeeded in changing this situation considerably in the course of one year. Objectively speaking, the entire private trade could not be supplied properly even if production were at peacetime level, which is not the case now and will not be the case in the near future. Even with a peacetime supply, about two thirds of the private retailers would get nothing, because the HO and the cooperatives have to be supplied from the total allocation. Previously they did not sell textiles, or, like the cooperatives, sold only very few textile goods. Thus it seemed more reasonable, in consideration of the customer, to leave a large portion of private retail trade without a supply and to turn over the remainder of the allocation to special retail stores, so that they might offer the customer some kind of assortment.

In the meantime, a further step has been taken in the economic policy. Starting 1 October 1950, the HO has been buying from the branch offices. Aside from the fact that another solution is to be tried starting 1 April 1951, the purchases by the HO will further curtail the private retailers. Of course, the HO has first choice in the purchasing. It has also been decided to let the HO place orders on particularly valuable and beautiful materials. Thus, the retailers are forced into the position of selling only inferior goods and second-choice materials. This is cold war against the private retailers. The HO will now slowly turn to offering contracts to retailers, because it is not big enough to put all the goods on the market through its own outlets. The retailer will be tempted by the prospect of a chance of completing his assortment, if he also sells HO goods on a commission basis. The private retailers are fighting for their existence, and they will accept the offers provided they involve a large amount of business. The retailer is then only a commission agent for the HO and receives 8 percent of the margin. The HO is planning to use this method especially with those shops which sell good-quality merchandise.

The Profitableness of the Branch Offices

The branch office in Leipzig, which is one of the largest offices of the zone, had a monthly turnover of about 3 million Deutsche marks. The average margin was about 12 percent, the overhead, with a total personnel of about 70, was about 3.3 percent. An average monthly profit of about 250,000 Deutsche marks was made. It should be mentioned that the 3.3 percent overhead, in addition to rent, salaries, and all office expenses also includes transport insurance, enormous freight charges, turnover tax, and charges paid to the central office. As in the entire people-owned sector, the central office puts pressure on the enterprises for a maximum of profit to be turned over to it. The profits must be turned over latest by the tenth of the following month. The central office, in turn, is under tremendous pressure from the government, and the total profits must be turned over to the Central Finance Office at Berlin by the 15th of the month, at the latest.

From a theoretical standpoint, the wholesale margin could be cut down to 6 percent and a reserve for special purposes and investments would still be available. However, the overhead would increase by a few tenths of one percent if the supply of merchandise were to increase considerably and if the assortment included more items.

Quality and Composition of Textile Goods

Seventy percent of the fabrics and knit goods for outer garments are worsted yarn. Whatever pure wool fabrics are available go to the HO. All household linen, especially bed linen and underwear for the civilian sector, has reportedly been made of cotton for the past year. However, despite all promises, pure cotton goods are seldom available, and if they are, they are handled by the HO, which

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has to fulfill its finance plans. Most of these fabrics are still made of cellulose wool. The supply of hosiery has improved considerably during the past year, but this statement must be modified by mentioning that high-grade merchandise goes mainly to the RO, which has options on it. In all printed fabrics, the dyeing difficulties have not been overcome, although some improvement can be noted. Multicolor prints cannot be produced, because good dyes cannot be imported from the West. Ready-made clothing, especially women's wear, was practically in the nature of uniforms only one year ago. The practice of making thousands of dresses of one model for the zone has improved. Although dress fabrics are generally made of cellulose wool women's wear had improved as far as fashion is concerned.

General Aims of Trade Centers

The trade centers, as far as they handle consumers' goods, are to be developed on the Czechoslovak model, so that they will be the only suppliers in their field by about the middle of next year. The German Textile Trade Center would then give orders, according to the Czechoslovak model, to all spinning and weaving plants. It would procure the raw materials, make the plans for processing together with the proper ministries, and then set the quotas for industrial, population, interzonal trade, export, and other requirements. Every movement of goods, from raw materials to finished products, would then go through the trade center, and the trade center would then be able to determine just how much of private enterprise would be kept alive. The temporary system of contracts to private enterprise could then easily be justified since all processes would be controlled by one authority. The trade center could then claim that since the raw materials came from the people-owned sector, a private textile mill could be charged with processing them only if the finished product went back to the people-owned sector.

This would mean that the 30 percent of the weaving capacity and the 35 percent of the hosiery and knitwear production which are privately owned would be hired to perform services for the people-owned sector.

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